

Message Text

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PAGE 01 PARIS 21516 071526Z

ACTION EUR-12

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FRB-03 INR-10 IO-13 NEA-10 NSAE-00 ICA-11 OPIC-03

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USOECD

E.O. 11652: N/A

TAGS: PLOS, EFIN, OECD

SUBJECT: OECD COMMITTEE ON FISCAL AFFAIRS: MEETING

OF AD HOC SUBCOMMITTEE ON SEABED MINING, JULY 6

REF: PARIS 20957, PARIS 20199

1. BEGIN SUMMARY. THE AD HOC SUBCOMMITTEE ON SEABED MINING OF THE OECD COMMITTEE ON FISCAL AFFAIRS MET IN PARIS JULY 6TH. THE MEETING DEALT LARGELY WITH THE FINANCIAL ARRANGEMENTS DISCUSSED AT THE UN LAW OF THE SEAS CONFERENCE BETWEEN A SEABED MINING COMPANY AND THE INTERNATIONAL SEABED RESOURCES AUTHORITY (DAF CFA 78.7. A PAPER SUMMARIZING THE PROCEEDINGS WILL BE PREPARED BY THE OECD SECRETARIAT AND CIRCULATED BEFORE AUGUST MEETING OF LAW OF SEAS CONFERENCE. NO FURTHER MEETING OF THE AD HOC GROUP WAS SCHEDULED. END SUMMARY

2. BECAUSE THE QUESTION OF A DEDUCTION VERSUS A CREDIT
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REMAINS UNRESOLVED WITHIN U.S. ADMINISTRATION, AD HOC COMMITTEE AVOIDED FORMULATING COMMON OECD POSITION ON THIS ISSUE. DELEGATES FROM UNITED KINGDOM, GERMANY, FRANCE, BELGIUM AND NETHERLANDS DID, HOWEVER, EXPRESS STRONG PREFERENCE TO AVOID SPECIAL TAX TREATMENT FOR SEABED MINING COMPANIES. ALL COMPANY COUNTRIES NOTED THAT UNDER EXISTING LAWS PROFIT-SHARING

PAYMENTS TO PRIVATE OR PUBLIC RESOURCE OWNERS ARE NOT CREDITABLE AGAINST DOMESTIC INCOME TAX LIABILITY AND THAT SUCH TREATMENT WOULD REQUIRE SPECIAL LEGISLATION. IF SUCH SPECIAL TAX TREATMENT WERE TO BE CONTEMPLATED, EXPERTS AGREED NOTE SHOULD BE TAKEN OF TECHNICAL DEFICIENCIES OF CURRENT PROFIT SHARING PROVISIONS SUCH AS (1) ARTIFICIAL TRANSFER PRICING STANDARDS FOR MEASURING INCOME ATTRIBUTABLE TO MINING VERSUS THAT ATTRIBUTABLE TO TRANSPORTATION OR PROCESSING, AND (2) NON-DEDUCTIBILITY OF RESEARCH AND OTHER COSTS.

3. OECD SECRETARIAT WILL PREPARE A FULLER SUMMARY OF DISCUSSION BEFORE UN LAW OF THE SEAS CONFERENCE IN AUGUST IN NEW YORK CITY.

4. U.S. DEL (HORST) GAVE BRIEF SUMMARY OF SEABED MINING LEGISLATION CURRENTLY BEFORE U.S. CONGRESS. NO OTHER COUNTRY HAS INTRODUCED COMPARABLE DOMESTIC LEGISLATION. ALL WISHED TO BE KEPT FULLY INFORMED OF U.S. DEVELOPMENTS.
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